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E.O. 12958: DECL: 03/12/2022
TAGS: [PREL](#) [PGOV](#) [KDEM](#) [HU](#)
SUBJECT: GYURCSANY AND THE MSZP: STABLE, NOT SYNONYMOUS

REF: A. REF A: BUDAPEST 00276

[1](#)B. REF B: BUDAPEST 00282

[1](#)C. REF C BUDAPEST 00343

Classified By: POL-ECON/C Eric V. Gaudiosi. Reasons: 1.4 (b) and (d).

SUMMARY:

(C) 1. Prime Minister Gyurcsany enters the Spring political season firmly in control of a stable governing coalition and Sr. coalition MSZP party, according to contacts across the political spectrum. In the wake of the Fall 2006 protests, uncertainty swirls around the March 15 National Holiday, and how the government will react should violence recur. But there is a broad consensus within the party that Gyurcsany's position will not be compromised in any but the most extreme scenarios. Despite political turbulence and uncertain state of reforms, Gyurcsany's position has been bolstered by perceptions of FIDESZ President Viktor Orban's continued radicalization. All Embassy contacts see 2007 as a "hard year" for the MSZP, perhaps made harder by Gyurcsany's personal management style, but say a flexible approach by Gyurcsany to implement reforms and a deluge of EU development funds will raise public support for the MSZP. Jr. coalition SZDSZ party elections in April and a FIDESZ-led referendum in the fall will complicate Hungarian politics, but most agree that they will not jeopardize the government's fundamental stability. Many say the 2009 European Parliament elections will be the true test for the future of the MSZP.

MSZP-Gyurcsany Symbiosis

(C) 2. Prime Minister Gyurcsany's overwhelming 89% vote as party president at the February 24 party congress solidifies his position as undisputed leader of the party, the coalition and the government (REF A). However, opinions differ about whether or not the PM's brinksmanship helped or hurt his position (NOTE: Gyurcsany stated publicly that "if I do not get 75 percent of the vote, I do not want to be President or Prime Minister"). Many party loyalist were privately enraged by what that called "Gyurcsany's blackmail" of the party, and the PM himself has confided to us that his election to the party presidency will not solve his problems with the opposition or within the MSZP.

(C) 3. What is clear is that for the time being, the MSZP is Gyurcsany's show to stage. According to independent political analyst Krisztian Szabados, to implement his reform package, Gyurcsany is "forced to seek balance" between numerous interest groups within his party. According to MSZP Member of Parliament and party foreign policy chief Attila Mesterhazy "MSZP members support the party first and the

individual second." PM Gyurcsany is the "undisputed leader now, because he is the best person for the job at this time," elaborated Mesterhazy. He concluded, however, that "Gyurcsany must cooperate with the party." Gyurcsany does not have carte blanche to impose his will, or his reforms.

POWER STRUCTURES: REAL AND IMAGINED

(C) 4. Many believe that Gyurcsany's move to create co-executive VP's in the party congress was to insure that his close ally Ferenc Juhasz would serve as number two in the party hierarchy and implement the PM's plans. Mesterhazy believes that real authority flows from Gyurcsany to Vice President Peter Kiss, to faction leader Ildiko Lendvai, to co-executive VP (and Minister of Defense) Imre Szekeres and lastly to Juhasz. Said Mesterhazy, relative newcomer Juhasz wanted "his place at the table" and has been rewarded with a high risk-low reward position that "takes all the blame" if reforms and the party are unsuccessful in 2007-08. According to MSZP Presidium member and Member of the European Parliament Edit Herczog, "the power still lies with the party - not the Prime Minister." Ironically, this echoes criticism of the MSZP's "Bolshevik" structure leveled by FIDESZ faction leader Tibor Navracsics (REF B).

SZDSZ ELECTIONS AND THE COALITION

(C) 5. The coalition partner SZDSZ party's upcoming presidential elections will pit Member of Parliament Gabor Fodor against Minister of Economy Janos Koka. According to Mesterhazy "neither SZDSZ candidate is good for the MSZP," though he quickly added that neither candidate will "leave the coalition." Neither candidate commands the same level of power as outgoing SZDSZ president Gabor Kuncze, within in their party, and Mesterhazy cautions that "neither Fodor nor Koka can keep people in line." For the MSZP this means that Gyurcsany will constantly be plagued by dissenters to reforms, most notably in health care.

(C) 6. The SZDSZ election could also bring a cabinet re-shuffle as the party is free to choose between three of four portfolios in the Gyurcsany government. (NOTE: the SZDSZ is currently responsible for the health care, economy and foreign affairs portfolios, one of which it could trade for environmental protection). The race is too close to call as Fodor appeals to the liberal intelligentsia and Koka is more popular in the party leadership. Both call for distance with the MSZP, though neither advocates dissolving the coalition.

ORBAN AND THE OPPOSITION

(C) 7. At the FIDESZ congress in January, party president Viktor Orban retained clear control of the political right, leading the opposition into attack mode versus the Gyurcsany government. According to Krisztian Szabados, Orban's "continued radicalization of FIDESZ will lead to increased political risk, but will not threaten the government's stability." To mobilize party loyalists, Orban will likely continue his populist rhetoric and continue to reject all contact with the Gyurcsany government, which he considers illegitimate. FIDESZ members tell us the party will continue Parliament walk-outs whenever PM Gyurcsany takes the floor.

(C) 8. That said, the opposition will be "unable to move the MSZP party" according to MSZP member of parliament Gergely Barandy, who joked that Orban's "radical talk" is good for the MSZP. Buttressing his point, in a separate meeting MP Mesterhazy said "social unrest are their tools; strong support for the party are our tools; the MSZP party will not bend under public opinion."

MILESTONES: 2007 REFERENDUM AND 2009 MEP ELECTIONS

(C) 9. The Hungarian Constitutional Court has ruled that three agenda items (state control of health care institutions, exclusive sale of medicines by pharmacies and regulations re sale of farmland) on the FIDESZ sponsored referendum planned for fall 2007 are constitutional. Party spokesmen welcomed the Court's decision and say they will use the referendum to criticize the government and call for PM Gyurcsany to resign. Turnout for voting in the fall is expected to be heavily pro-FIDESZ. The MSZP conversely anticipates little fallout, but nonetheless acknowledges pro-FIDESZ voters will dominate the balloting. Although the referendum could take Hungary into largely uncharted political waters, according to Edith Herczog, the questions re health care "will only impact on the SZDSZ," which traditionally focused on the issue. She says the referendum will not be enough "to turn the party against Gyurcsany."

(C) 10. The European Parliamentary elections in 2009 "will be critical for Gyurcsany" says MEP Herczog. The MEP elections will be less than a year before the 2010 Hungarian national election campaigns kick-off. Said Herczog, the MEP elections "will be a barometer" and will show if the MSZP has the "public's trust." According to Herczog, strong socialist turn-out for MEP elections will ensure Gyurcsany will be the party's candidate in 2010. If not, she concludes, expect to see the party "looking for a new candidate."

COMMENT

(C) 11. Most contacts confirm that the PM will enjoy the party's support - but not its affection - so long as he works well with party insiders and does not try to "impose his will." Gyurcsany, however, is known for working based on the calculation of self interest rather than an interest in people. He has long been noted for his penchant for making decisions with little or no consultation. Only his closest advisors are informed of his decisions with any regularity. Many of his strongest supporters in the party point to the last minute appointment of FM Kinga Goncz as an example of Gyurcsany's "close-hold" decision making (note: Most MSZP contacts tell us they learned of Goncz's appointment via the media). Goncz is now telling close associates that she would not be surprised if Gyurcsany decides to remove her (REF C), and only hopes that she "doesn't find out about it in the press." "Gyurcsany doesn't do personnel," notes ICDT Director Istvan Gyarmati, and it increasingly appears that he doesn't do personal either. If the PM does not include the party more in the months ahead, say our contacts, he may not be able to pass his ambitious reform measures. He may also leave the door open for a challenger from within before the 2010 campaign.

FOLEY